



DEPARTMENT OF DEFENSE

AUDIT REPORT

SPACE AVAILABLE PASSENGER FEES

No. 91-075

May 3, 1991

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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May 3, 1991

**MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)**

SUBJECT: Final Report on the Audit of Space Available Passenger Fees (Report No. 91-075)

This is our final report on the Audit of Space Available Passenger Fees for your information and use. Active and retired military personnel, and under certain circumstances, civilian personnel and their dependents are authorized to travel aboard DoD owned or controlled aircraft in a "space available" status when aircraft are not fully booked with passengers traveling under orders. We made the audit from December 1989 through June 1990. The audit objectives were to determine whether DoD was recovering the cost to process and transport space available passengers on DoD controlled aircraft and if internal control procedures over cash collection of fees were adequate. These objectives have been separated from our "Audit of the Management of DoD Air Passenger Requirements," Project No. OLC-0027, to expedite management action and comment. The Military Airlift Command (MAC) is the executive agent and the single manager for international airlift services for DoD. During FY 1989, MAC processed about 766,800 space available passengers through 86 MAC terminals worldwide.

The audit showed that DoD recovered only about \$4.6 million (19 percent) of the \$24.2 million cost to process and transport space available passengers in FY 1989. We also found that no controls existed to reconcile the number of passengers processed with the amount of fees collected or to ensure timely deposit of fees. Also, the DoD accounts that funded space available travel were not being reimbursed with funds generated from fees collected from space available travelers. Increasing the space available fee, charging all space available passengers a fee, and establishing internal controls over the collection of fees would support an overall objective of the Defense Management Review to reduce transportation costs. The results of the audit are summarized in the following paragraph, and details and audit recommendations are in Part II of this report.

DoD was not recovering the cost to move space available passengers aboard aircraft owned or controlled by DoD. DoD unnecessarily provided about \$19.6 million to pay for the cost of processing and transporting about 766,800 space available passengers in FY 1989. Funds obtained from space available fees

were not reimbursed to the accounts that funded the cost of space available travel and fees collected were vulnerable to pilferage. We recommended that the space available fee be increased, internal controls be established over collection and deposit of fees, and the accounts that fund space available travel be reimbursed from fees collected (page 5).

The audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Controls were not established to ensure that the amount of fees collected were reconciled to the number of space available passengers processed, and that timely deposits of cash receipts were made. Based on the number of space available passengers processed, \$1.7 million in fees were either not collected or collected and not deposited in FY 1989. Recommendations 2.a., 2.b., and 2.c. in this report, if implemented, will correct the internal control weaknesses and could result in \$1.7 million in monetary benefits. Therefore, a copy of this final report will be provided to the senior official responsible for internal controls within the Department of the Air Force.

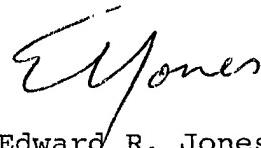
A copy of the draft report was provided to the addressees on September 25, 1990, requesting management comments by November 26, 1990. Management requested, and was granted, an extension to December 10, 1990, to provide formal comments to the draft report. When no comments were received, we notified management officials that we planned to issue the final report without management comments. On December 21, 1990, the Principal Deputy Assistant Secretary of Defense (Production and Logistics) requested that we defer issuance of the final report until after we had met with DoD officials to discuss the cost data and pricing methodology used in the draft report. In January and February 1991, we met with officials from the Office of the Assistant Secretary of Defense (Production and Logistics); Commander-in-Chief, U.S. Transportation Command; Air Force Air Staff; and MAC. MAC officials indicated that a marginal cost method rather than the average cost method used in the draft report would be more appropriate to allocate passenger processing costs and fuel costs to space available passengers. We reached no formal agreement with management on these issues and requested that the addressees of the draft report provide us formal comments by March 29, 1991, to support their position. No formal comments were provided as of April 29, 1991.

We lowered our total estimates of cost savings in the final report to \$117.7 million, which is \$35.8 million less than the \$153.5 million shown in the draft report. We also added a recommendation related to the material internal control weakness. Details of the revisions to the draft report are discussed on page 8 of this report. We recognized the effect that Operation Desert Shield/Storm had on the work load of DoD

transportation officials, and we delayed issuance of the final report to accommodate these conditions. However, further delay in the issuance of the final report cannot be accommodated. Therefore, we request that the Assistant Secretary of Defense (Production and Logistics) and the Assistant Secretary of the Air Force (Financial Management and Comptroller) respond to this final report, indicating concurrence or nonconcurrence with the finding, recommendations, potential monetary benefits, and internal control weaknesses described. DoD Directive 7650.3, requires that all audit recommendations be resolved promptly. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, please state your specific reasons. If appropriate, you may propose alternative methods for accomplishing desired improvements.

In order for your comments to be considered responsive, you must state concurrence or nonconcurrence with the estimated monetary benefits, identified in Appendix C, of \$117.7 million. If you nonconcur with the estimated savings or any part thereof, you must state the amount you nonconcur with and the basis for your nonconcurrence. Potential monetary benefits are subject to resolution in the event of nonconcurrence or failure to comment. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weaknesses described above. Your comments must be received within 60 days of the date of this memorandum.

The courtesies extended to the audit staff are appreciated. A list of the audit team members is in Appendix H. If you have any questions about this final audit report, please contact Mr. John S. Gebka at (703) 614-6206 (DSN 214-6206) or Mr. Billy T. Johnson at (703) 693-0630 (DSN 223-0630). Final report distribution is shown in Appendix I.


Edward R. Jones
Deputy Assistant Inspector General
for Auditing

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

FINAL REPORT ON THE AUDIT OF SPACE
AVAILABLE PASSENGER FEES

TABLE OF CONTENTS

	<u>Page</u>
TRANSMITTAL MEMORANDUM/EXECUTIVE SUMMARY	i
PART I - INTRODUCTION	1
Background	1
Objectives and Scope	2
Internal Controls	2
Prior Audit Coverage	3
PART II - FINDING AND RECOMMENDATIONS	
Unrecovered Cost of Space Available Passengers	5
APPENDIX A - Analysis of Funds Collected for Space Available Travel Compared to Passengers Processed for September 1989	13
APPENDIX B - Analysis of Timeliness of Deposit of Space Available Passenger Processing Fees	15
APPENDIX C - DoD's Cost to Process and Transport Space Available Passengers with Estimated Unrecovered Cost During FY 1989	17
APPENDIX D - Cost to Process an Originating Passenger FY 1988 Data	19
APPENDIX E - Compilation of Fuel Cost	21
APPENDIX F - Summary of Potential Monetary and Other Benefits Resulting from Audit	23
APPENDIX G - Activities Visited or Contacted	25
APPENDIX H - Audit Team Members	27
APPENDIX I - Final Report Distribution	29

Prepared by:
Logistics Support
Directorate
Project No. OLC-0027.01

FINAL REPORT ON THE AUDIT OF SPACE
AVAILABLE PASSENGER FEES

PART I - INTRODUCTION

Background

Space available travel is an administrative privilege that derives, in part, from United States Code, title 10, section 4744, which states, ". . . officers and members of the Military Departments, and their families, when space is available, may be transported on vessels operated by any military transport agency of the Department of Defense." Space available travel is defined as ". . . travel aboard DoD owned or controlled aircraft and occurs when aircraft are not fully booked with passengers traveling under orders." Eligible space available passengers include active duty and retired military personnel, civilian personnel, under certain circumstances, and their dependents. Prior to FY 1978, there was no charge for space available travel aboard DoD owned or controlled aircraft.

In 1973, the House of Representatives Committee on Appropriations expressed concern over the cost of the space available passenger program. During hearings on the DoD Appropriation Bill in April 1973, the Committee stated that:

. . . all space available passengers (except emergency travel), and their dependents, should be required to pay a fee which would cover, at least, the costs associated with their travel.

The General Accounting Office issued Report No. B-133025 (OSD Case No. 4380), "Government Should Recover the Cost of Processing Air Passengers Not on Official Business," dated June 3, 1976, which identified the cost to process a space available passenger at \$17 plus a \$3 head tax per passenger. In June 1977, the House Committee on Appropriations considered establishing \$20 as the space available fee, which would represent the average cost to process all Military Airlift Command (MAC) passengers plus the \$3 head tax (now \$6). The Committee recommended, pending further study, that the space available charge should be established at \$10 for each terminal that a space available passenger passes through. MAC began charging a \$10 fee in 1978. MAC Regulation 76-1, "Passenger Service," includes provisions for collection of the space available fee. There have been no additional studies to evaluate the charge for space available passengers since 1978.

Objectives and Scope

The audit objectives were to determine whether DoD was recovering the cost to process and transport space available passengers on DoD owned or controlled aircraft and if internal control procedures over cash collection of fees were adequate. These objectives have been separated from our "Audit of the Management of DoD Air Passenger Requirements," Project No. OLC-0027, to expedite management action and comments.

We reviewed the congressional record for history on the space available passenger program. To obtain the passenger processing cost per passenger, we used data computed in our "Audit of Military Airlift Command Air Passenger Terminals," Report No. 90-046, dated March 7, 1990. We computed the fuel cost by determining the fuel cost to transport a space available passenger 1 mile times the total miles flown by space available passengers. To evaluate internal control procedures at MAC Headquarters, we compared the overall space available passenger volume for FY 1989, as shown on station handling reports, to the annual amount of fees collected as shown in the financial records. We also visited the Defense Finance and Accounting Service Center, Denver, Colorado, to obtain Cash Collection Vouchers (DD Form 1131) showing the amount of fees collected from space available passengers for the month of September 1989 at 25 terminals and compared them to station handling reports at MAC. In addition, we determined the timeliness of deposit of space available fees shown on cash collection vouchers for these 25 terminals. We visited two MAC CONUS air passenger terminals to determine whether noncollecting terminals had the capability to collect the fees from space available passengers. We made the audit from December 1989 through June 1990.

This economy and efficiency audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were necessary. The activities visited or contacted are listed in Appendix G.

Internal Controls

We assessed the adequacy of internal controls over the collection and deposit of fees paid by space available passengers. We found that no controls existed to reconcile the number of passengers processed with the amount of fees collected or to ensure the timely deposit of fees. Overall, the amount of fees collected totaled about \$1.7 million less than the amount required, based on the number of space available passengers reported in FY 1989.

Prior Audit Coverage

The Office of the Inspector General, Department of Defense issued Report No. 90-046, "Survey of the Military Airlift Command Air Passenger Terminals," dated March 7, 1990. The audit objective was to determine whether staffing levels and associated costs were limited to those necessary to support workload requirements at the MAC air passenger terminals and to determine if readiness requirements and costs warrant the simultaneous operation of military and commercial air passenger terminals. The audit showed that three of the four simultaneous terminal operations were cost-effective, and staffing levels supported workload requirements. However, a study was in process to support the feasibility of closing the commercial portion of the simultaneous operation at one location that was not cost-effective. We concluded that staffing levels and associated costs approximated those necessary to support FY 1988 workload requirements. Therefore, no recommendations were made and no comments were required.

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PART II - FINDING AND RECOMMENDATIONS

Unrecovered Cost of Space Available Passengers

FINDING

DoD was not fully recovering the cost to process and transport space available passengers aboard aircraft owned or controlled by the Military Airlift Command (MAC). Also, fees collected from space available passengers were not reimbursed to the DoD accounts that funded the travel costs. The cost was not recovered because MAC exempted certain passengers from paying a fee, had weak internal controls over collection and deposit of fees, and charged too low a fee to space available passengers. Proper accounts were not being reimbursed because MAC had been using revenues from space available passenger fees to reimburse the Air Force Operation and Maintenance account since 1978. The Airlift Service Industrial Fund and the Air Force Military Personnel Appropriation were the accounts that funded space available travel. As a result, DoD had to incur costs of about \$19.6 million to pay for processing and transporting about 766,800 space available passengers in FY 1989; fees collected were vulnerable to pilferage; and revenues were denied to the accounts that funded space available travel. Continued operation of the space available passenger program under the current fee basis with the same annual passenger volume, fuel costs, and pay rates could cost DoD about \$117.7 million during the Future Years Defense Plan which covers the 6-year period from October 1991 through September 1997. The \$1.7 million identified as the monetary benefit associated with the internal control weakness has been included in the overall total of \$117.7 million in unrecovered costs.

DISCUSSION OF DETAILS

Passengers Processed. Based on station handling reports, we estimated that about 766,800 space available passengers moved on aircraft owned or controlled by MAC in FY 1989. Of this total, we estimated that approximately 310,600 (40 percent) did not pay a fee or fees collected were not deposited. Fees were not paid by 143,500 space available passengers because MAC exempted certain terminals from collecting fees from space available passengers. Also, fees were either collected and not deposited or were not collected from an estimated 167,100 passengers that were required to pay the fee. The number of paying and nonpaying passengers are summarized in the following chart and further discussed below.

SPACE AVAILABLE PASSENGERS PROCESSED FY 1989

<u>Status of Passenger</u>	<u>Category of Terminal</u>	<u>Number of Passengers Processed</u>	<u>Nonpaying Passengers</u>
Exempt Per MAC Regulation 76-1	41 Noncollecting Terminals	36,500	36,500
Exempt Per MAC Regulation 76-1	45 Collecting MAC Terminals (CONUS Travel)	107,000	107,000
Required to Pay	45 Collecting MAC Terminals (International)	<u>623,300</u>	<u>167,100</u>
Total		<u>766,800</u>	<u>310,600</u>

Exempt Passengers. MAC Regulation 76-1 exempted from collection of fees those space available passengers that originated through terminals that had an annual total of less than 1,000 international and intratheater space available passengers. MAC officials stated that fees were not collected at these terminals because the insignificant number of space available passengers did not warrant the administrative effort. In FY 1989, there were 41 terminals that met this exemption criteria. As a result, 36,500 space available passengers originating from these terminals were not charged the \$10 space available fee in FY 1989. We visited 2 of the 41 terminals within CONUS and determined that capabilities existed to collect space available fees. These terminals collected funds for other purposes, such as meals, excess baggage, and pets.

MAC Regulation 76-1 also exempted space available passengers, traveling within CONUS, from paying a space available fee even if these passengers originated from a terminal that collected fees from international space available travelers. For example, a space available passenger could travel from Dover Air Force Base, Delaware, to Travis Air Force Base, California, (a distance of approximately 3,000 miles) without having to pay a space available fee. MAC officials indicated that free space available travel within CONUS was considered a benefit that helped to retain members in the Services. We estimated that about 107,000 space available passengers traveled within CONUS in FY 1989 without paying the \$10 fee.

Our review of the congressional record indicated that Congress did not grant any special exemptions to these categories of space available passengers. When Congress authorized the \$10 charge for space available passengers in 1978, the following statement was part of the record: "The Committee believed that the charge

should be established at \$10 for each terminal that a space available passenger passes." DoD incurred the same types of cost to process exempted passengers as those from which a fee was collected.

Collection of Fees. MAC did not have internal control procedures to reconcile the number of space available passengers processed with the amount of space available fees collected or to ensure that fees were deposited in a timely manner. Station handling reports (MAC Form 7107) showed that about 623,300 space available passengers originated from the 45 MAC collecting terminals. International and intratheater space available passengers were required to pay a \$10 space available fee in accordance with MAC Regulation 76-1. However, financial records available at MAC showed collections that accounted for only about 456,100 space available passengers. MAC terminal personnel either collected and did not deposit or did not collect about \$1.7 million from approximately 167,100 space available passengers at these terminals. MAC officials indicated that no requirement existed to reconcile passengers processed with financial reports and to determine the reasons for any discrepancies at either MAC Headquarters or the individual terminals.

We visited the Defense Finance and Accounting Service Center, Denver, Colorado, and compared space available passenger data with financial records for 25 of the 45 MAC collecting terminals for the month of September 1989. We could not reconcile the data for any of the 25 terminals we reviewed. A total of 38,217 (from station handling reports) space available passengers were processed while fees were collected from only 27,721 (from cash collection vouchers) space available passengers. The overall discrepancy amounted to \$104,960 at these 25 terminals. See Appendix A for details.

Additionally, our review of cash collection vouchers showed that deposits were not made timely in accordance with MAC Regulation 76-1. The regulation requires terminal personnel to make daily deposits of cash receipts, but not later than the following day. For the month of September 1989, we analyzed the timeliness of deposits of space available passenger fees reported by 25 of the 45 collecting terminals. At 20 of the 25 terminals, 173 (40 percent) of the 429 deposits were made late. Details of the number of late deposits and the number of days late are shown in Appendix B.

Internal control procedures over cash collection and timely deposit of fees from space available passengers were inadequate. The number of passengers processed needs to be reconciled to the amount of fees collected; and deposit of fees

needs to be made in a more timely manner. The lack of reconciliation controls could lead to a loss of revenue and untimely deposits could make space available passenger funds vulnerable to pilferage.

Amount of Fee. It cost DoD about \$24.2 million to process and transport about 766,800 space available passengers in FY 1989. Of this amount, about \$4.6 million was recovered in fees from space available passengers. Therefore, DoD paid approximately \$19.6 million for unrecovered space available costs in FY 1989. This primarily occurred because the space available fee of \$10 (established by Congress for FY 1978) was insufficient to recover DoD's costs. There are two areas of costs associated with transporting space available passengers aboard DoD owned or controlled aircraft. There is passenger processing cost, which includes manifesting, baggage handling, baggage inspection, terminal security, use of terminal facilities, transportation between the terminal and aircraft, and utilities and building maintenance. There is also the cost of fuel consumed to transport space available passengers and baggage. To fully recover the incurred costs, we estimated that DoD would have had to charge every space available passenger about \$32. See Appendix C for details. These costs are further discussed below.

Passenger Processing Costs. It cost DoD about \$19 million to process 766,800 space available passengers in FY 1989. Of the \$19 million, \$12.6 million was the cost for staffing and \$6.4 million was for other terminal operating costs. The average cost to process a passenger (space required or space available) was about \$24.70. Costs were allocated in the same proportion as passengers contributed to terminal work load. We computed the processing costs during our "Audit of the Military Airlift Command Air Passenger Terminals," Report No. 90-046, dated March 7, 1990. The average cost to process a passenger was obtained by analyzing the costs at 13 MAC passenger terminals. The costs included staffing and terminal operation costs such as heat, light, power, custodial, maintenance services, and contract support. We determined that the average cost to process a passenger through the 13 air passenger terminals by dividing the total cost of operation by the total number of originating passengers processed through the terminals (see Appendix D).

Fuel Cost. It cost about \$5.2 million for fuel to transport 766,800 space available passengers in FY 1989. The cost was determined by computing the added fuel cost to transport the average weight of a passenger with baggage (225 lbs.) over the average distance of a MAC flight (1778 miles) times the number of space available passengers. The amount of additional fuel used was based on consumption data provided by MAC. The data showed that adding weight to an aircraft increased the amount of fuel consumed. We used a price of \$0.61 per gallon,

which was the standard price that the Defense Fuel Supply Center charged for JP-4 fuel in FY 1989. We calculated the cost at about \$6.84 per passenger in FY 1989 (see Appendix E).

Funding of Space Available Travel. The accounts that funded the costs of providing space available travel were not reimbursed with the fees collected from space available passengers. These collections were reimbursed to the Air Force Operation and Maintenance account. This procedure has been in effect since 1978 when Congress first authorized the collection of fees from space available travelers. When space available fees were authorized, Congress directed that the Air Forces' Operation and Maintenance appropriation be reduced by \$3.5 million. The Air Force has been reimbursing the Operation and Maintenance account with space available fees collected since 1978. However, the funds used for space available passenger travel were provided by the Airlift Service Industrial Fund (ASIF) and the Air Force Military Personnel Appropriation (MPAF). The ASIF funds the fuel costs, utilities, maintenance, and contractor support costs at the air terminals. We estimated that the ASIF funded about \$11.6 million (48 percent) of the costs (\$24.2 million) in FY 1989. The MPAF funded the pay and benefits of the military personnel that processed the space available passengers at the air terminals. We estimated that the MPAF funded about \$12.6 million (52 percent) of the costs in FY 1989.

The accounts that incurred the expenditures should have been reimbursed with revenues from space available passenger fees in the same proportion that these accounts funded the costs. If fees collected from space available passengers were reimbursed to the proper accounts, it would help the ASIF recover its cost of operations. During FY 1988 and FY 1989, the ASIF incurred losses of \$89.4 million and \$14.8 million, respectively. If all costs incurred in FY 1989 had been reimbursed, the ASIF would have recouped about \$11.6 million.

Summary of Revisions to Draft Report

We lowered our total estimates of cost savings in the final report to \$117.7 million, which is \$35.8 million less than the \$153.5 million shown in the draft report. Therefore, our estimate of the space available fee was revised from \$46 to \$32 per passenger. The net reduction was caused by lowering our fuel estimate from \$21.82 to \$6.84 per passenger and adding 1 year of savings to cover the current Future Years Defense Plan of 6 years, instead of the 5 years used in the draft report. In computing the revised fuel costs, we used a price of \$0.61 per gallon instead of \$0.55 per gallon. This increase was offset because we reduced our estimate of the amount of fuel consumed per pound of weight carried by the aircraft by also including the weight of the aircraft in our computations. We have also added a recommendation for MAC to report and track the internal control

weakness related to the reconciliation, collection, and deposit of fees in accordance with the provisions of DoD Internal Management Control Program.

Discussion with Management

In meetings with Air Force officials after the draft report was issued, we explained our methodology for allocating terminal costs to space available passengers. We allocated terminal costs (staffing and maintenance costs) in the same ratio as space available passengers contributed to terminal work load. For example, if space available passengers accounted for 50 percent of the passenger work load at a terminal, we allocated 50 percent of the terminal costs to determine the average cost of processing a space available passenger. During the meetings, Air Force officials stated that they considered a marginal cost method to be more appropriate. (The congressional record did not specify the methodology to be used.)

The Air Force provided marginal cost data which indicated that a "core" of 20 personnel were required to staff an air passenger terminal before determining the number of additional personnel that were needed to process passengers. The Air Force maintained that the cost of these "core" personnel should not be allocated to space available passengers. Also, no facilities maintenance costs were allocated to space available passengers. However, the Air Force acknowledged that the marginal cost methodology was applied only at air passenger terminals that processed significant numbers of space available passengers. Not all Air Force passenger terminals were staffed with 20 "core" personnel. In effect, the Air Force applied a marginal cost methodology only at selected air passenger terminals where the number of space available passengers accounted for a significant portion of, and in some cases, the majority of the passenger processing work load.

The Air Force's application of the marginal cost methodology at 21 major air passenger terminals resulted in about 23 percent of the total terminal staffing costs being allocated to space available passengers. This occurred although space available passengers accounted for about 48 percent of the total passenger work load for these terminals. We considered the Air Force methodology to be inconsistently applied, which resulted in an inequitable allocation of staffing costs to space available passengers. We requested that Air Force officials review their position and provide us with formal comments related to all costs associated with processing space available passengers including staffing, fuel, and terminal facilities cost. No formal comments were provided. Therefore, we request management comments from the Assistant Secretary of Defense (Production and Logistics) and the Assistant Secretary of the Air Force (Financial Management and Comptroller) on all recommendations in the final report.

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the Assistant Secretary of Defense (Production and Logistics) issue policy guidance authorizing the Military Airlift Command to establish and periodically adjust a fee structure that recovers the cost of processing and transporting all space available passengers without exemptions.
2. We recommend that the Commander, Military Airlift Command:
 - a. Establish internal controls that require monthly reconciliation of originating space available passengers reported on station handling reports to cash collection vouchers at each terminal.
 - b. Establish internal controls that require annual reconciliation at Military Airlift Command Headquarters of total space available passenger volume to total system wide collection of fees for identification and investigation of material discrepancies.
 - c. Report and track the material internal control weaknesses related to the reconciliation and deposit of passenger fee collections in accordance with the provisions of DoD Directive 5010.38, "Internal Management Control Program."

3. We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) require the Military Airlift Command to reimburse the Airlift Service Industrial Fund and the Air Force Military Personnel Appropriation accounts with funds collected from space available passengers in the same proportion as space available travel costs are financed by these accounts.

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**ANALYSIS OF FUNDS COLLECTED FOR SPACE AVAILABLE TRAVEL COMPARED TO
PASSENGERS PROCESSED FOR SEPTEMBER 1989**

MAC Terminal	Total Fee Required 1/ Passengers Processed	Funds Required 2/ to be Collected	Funds 3/ Collected	Unaccounted 4/ For Funds
McChord AFB 5/, Washington	711	\$ 7,110	\$ 6,650	(\$ 460)
Charleston AFB and IAP 6/, SC	857	8,570	8,270	(\$ 300)
Travis AFB and Oakland IAP, CA	2,953	29,530	28,060	(\$ 1,470)
Andrews AFB, MD	389	3,890	2,210	(\$ 1,680)
Norton AFB, CA	838	8,380	7,810	(\$ 570)
McGuire AFB, NJ	696	6,960	6,200	(\$ 760)
Los Angeles IAP, CA	427	4,270	3,250	(\$ 1,020)
Keflavik AB 7/, Iceland	206	2,060	2,470	410
Anderson AB, Guam	1,410	14,100	8,790	(\$ 5,310)
Howard AB, Panama	581	5,810	5,800	(\$ 10)
Aviano AB, Italy	354	3,540	3,120	(\$ 420)
Hellenikon AB, Greece	860	8,600	6,690	(\$ 1,910)
Incirlik AB, Turkey	967	9,670	7,810	(\$ 1,860)
Lajes AB, Azores	541	5,410	2,400	(\$ 3,010)
Rhein Main AB, Germany	5,375	53,750	48,950	(\$ 4,800)
Clark AB, Philippines	2,539	25,390	21,860	(\$ 3,530)
Hickam AFB, HI	3,677	36,770	19,010	(\$ 17,760)
Ramstein AB, Germany	2,272	22,720	13,550	(\$ 9,170)
Mildenhall AB, England	2,438	24,380	12,580	(\$ 11,800)
Dover AFB, DE	4,161	41,610	32,940	(\$ 8,670)
Torrejon AB, Spain	952	9,520	5,680	(\$ 3,840)
Elmendorf AFB, Alaska	1,880	18,800	2,510	(\$ 16,290)
Kadena AB, Japan	3,133	31,330	20,600	(\$ 10,730)
Total		<u>\$382,170</u>	<u>\$277,210</u>	<u>(\$104,960)</u>
		<u>\$38,217</u>		

- 1/ As reported on MAC Form 7107 monthly station handling reports
 2/ Passengers processed from station handling reports times \$10 per passenger
 3/ Verified from DD Form 1131 deposit forms at the Defense Finance and Accounting Service Center, Denver, CO.
 4/ Unaccounted for funds represents the difference between funds required to be collected and funds collected.
 5/ Air Force Base
 6/ International Airport
 7/ Air Base

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ANALYSIS OF TIMELINESS OF DEPOSIT OF SPACE AVAILABLE PASSENGER PROCESSING FEES

	<u>SEPTEMBER 1989 DEPOSITS 1/</u>		
	<u>Deposits</u>	<u>Late Deposits</u>	<u>Range of Late Days</u>
Travis AFB 2/ CA	13	10	1-5
Oakland IAP 3/ CA	1	1	6
McChord AFB, Washington	24	8	1-3
Charleston AFB, SC	9	5	1-3
Charleston IAP, SC	5	4	1-12
Andrews AFB, MD	13	0	0
Norton AFB, CA	28	2	2
McGuire AFB, NJ	14	6	1-3
Los Angeles IAP, CA	20	0	0
Keflavik AB 4/ Iceland	5	4	1-7
Anderson AFB, Guam	35	23	1-6
Howard AB, Panama	17	5	1-4
Aviano AB, Italy	6	6	1-6
Hellenikon AB, Greece	29	0	0
Incirlik AB, Turkey	16	8	1-3
Lajes AB, Azores	10	7	1-3
Rhein Main AB, Germany	13	0	0
Clark AB, Philippines	15	10	1-4
Hickam AFB, Hawaii	20	20	1-5
Ramstein AB, Germany	23	8	1-3
Mildenhall AB, England	26	0	0
Dover AFB, DE	27	11	1-5
Torrejon AB, Spain	19	6	1-3
Elmendorf AFB, Alaska	13	4	1-2
Kadena AB, Japan	28	25	1-7
Totals	429	173	

1/ Data is from our analysis of financial records at the Defense Finance and Accounting Service Center,

Denver, CO
 2/ Air Force Base
 3/ International Airport
 4/ Air Base

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DOD'S COST TO PROCESS AND TRANSPORT SPACE
AVAILABLE PASSENGERS WITH ESTIMATED UNRECOVERED COST DURING FY 1989

Passenger Processing and Fuel Cost:

Passenger processing costs (average cost) ^{1/}	\$24.70
Passenger fuel cost per average trip ^{2/}	<u>6.84</u>
Total passenger processing and fuel cost	\$31.54
Total originating space available passengers (FY 1989) ^{3/}	<u>766,752</u>
Total space available passenger processing and fuel costs in FY 1989	\$24,183,358
Less FY 1989 collections reported by the Military Airlift Command	<u>-4,561,438</u>
Unrecovered cost to process and transport space available passengers	<u>\$19,621,920</u>
Estimated 6-year Defense Plan savings ^{4/}	<u>\$117,731,520</u>

1/ See Appendix D.

2/ Based on the cost to transport one passenger plus baggage 1 mile at \$0.003847 per mile times the average distance of a Military Airlift Command (MAC) flight (1,778 miles).

3/ Total originating space available passengers were taken from MAC 7107 monthly station handling reports.

4/ Annual unrecovered cost of \$19.6 million times 6 years.

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COST TO PROCESS AN ORIGINATING PASSENGER
FY 1988 DATA 1/

<u>Location</u>	<u>Total Originating Passengers</u>	<u>Cost of Terminal Operation</u>	<u>Cost to Process an Originating Passenger</u>
Dover AFB <u>2/</u> , DE	44,159	\$1,130,968	\$25.61
McGuire AFB, NJ	22,536	1,498,012	66.47
Charleston AFB, SC	35,712	1,317,790	36.90
Norton AFB, CA	88,476	1,723,605	19.48
Travis AFB, CA	59,640	1,851,310	31.04
Hickam AFB, HI	78,484	3,306,855	42.13
Anderson AB <u>3/</u> , Guam	37,941	794,800	20.95
Rhein Main AB, Germany	207,961	3,463,000	16.65
Philadelphia IAP <u>4/</u> , PA	89,571	2,425,882	27.08
Charleston IAP, SC	57,564	919,078	15.97
Los Angeles IAP, CA	43,319	883,894	18.29
Oakland IAP, CA	19,689	1,233,751	62.66
Lambert IAP, MO	81,503	<u>981,933</u>	<u>12.05</u>
Total	<u>871,555</u>	<u>\$21,530,868</u>	<u>\$24.70 (Average)</u>

1/ Statistics were computed in DoDIG audit Report No. 90-046, dated March 7, 1990. Average cost represents all originating (space required and space available) passengers.

2/ Air Force Base
3/ Air Base
4/ International Airport

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COMPILATION OF FUEL COST */

Additional fuel used by space available passenger	11.21 gallons
Fuel rate, FY 1989	x \$0.61
Fuel cost per passenger	\$6.84
Space available passengers, FY 1989	x <u>766,752</u>
Fuel cost	<u>\$5,244,584</u>

*/ Fuel cost considered the types of aircraft the Military Airlift Command (MAC) used to transport passengers. We estimated that each passenger required an average of 11.21 gallons of fuel to be transported over the average distance of a MAC flight (1,778 miles). The standard price charged by the Defense Fuel Supply Center for JP-4 fuel during FY 1989 was \$0.61 per gallon.

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**SUMMARY OF POTENTIAL MONETARY AND OTHER
BENEFITS RESULTING FROM AUDIT**

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Amount and/or Type of Benefit</u>
1.	<u>Economy and Efficiency</u> - Increasing the space available fee and requiring all space available passengers to pay the fee will allow DOD to fully recover the cost of processing and transporting space available passengers.	<u>Funds Put to Better Use.</u> An estimated \$117.7 million in unrecovered space available transportation cost could be recovered. For the Airlift Service Industrial Fund, \$56.5 million (4922.0030) and Military Personnel Appropriations account \$61.2 million (57x 3500) within the 6-year Defense Plan time frame (October 1991 through September 1997).
2.a., b., and c.	<u>Internal Controls</u> - The ability of Military Airlift Command (MAC) to reconcile the number of space available passengers processed with funds collected will improve accountability and safeguard MAC assets. Reporting and tracking will insure that controls are operating as intended.	<u>Funds Put to Better Use.</u> Improved collection procedures reduce vulnerability of space available fees to pilferage. The estimated monetary benefit of \$1.7 million is included in Recommendation 1.
3.	<u>Economy and Efficiency</u> - The Airlift Service Industrial Fund (ASIF) and the Air Force Military Personnel Appropriations accounts (MPAF), which fund the cost of space available travel, will be reimbursed with revenues from fees collected from space available passengers.	<u>Nonmonetary.</u> Fees collected from space available passengers would be reimbursed to the ASIF and MPAF, rather than the Air Force Operation and Maintenance account.

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ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Assistant Secretary of Defense (Production and Logistics),
Washington, DC

Department of the Air Force

Headquarters, Military Airlift Command, Scott Air Force Base, IL
375th Transportation Squadron, Scott Air Force Base, IL
43d Military Airlift Wing, Altus Air Force Base, OK
Air Logistics Command, Tinker Air Force Base, OK
438th Aerial Port Squadron, McGuire Air Force Base, NJ
Defense Finance and Accounting Service Center, Denver, CO

Non-DoD Activities

St. Louis International Airport, St. Louis, MO
Philadelphia International Airport, Philadelphia, PA

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AUDIT TEAM MEMBERS

Shelton R. Young, Director, Logistics Support Directorate
John S. Gebka, Program Director
Billy T. Johnson, Project Manager
Wayne E. Brownewell, Senior Auditor

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Assistant Secretary of the Air Force (Financial Management and
Comptroller)
Commander, Military Airlift Command

Other Defense Activities

Commander in Chief, U.S. Transportation Command

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
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Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
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